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**Estonia, Finland, Latvia and Lithuania**

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**Subject: Comments on the three pilot drafts of Finnish Territorial Just Transition Plans (TJTTPs)**

Dear Johanna,

Thank you for sharing with us the three pilot drafts of Finnish TJTTPs. We appreciate the proactive approach by FI to send us these drafts as this gives us information on the progress and direction of where the individual plans are heading.

Please find below some comments and suggestions for the continuation of the work.

Section 1.1 of the template for all drafts

- The common chapter 1 of the TJTTPs is quite mature and focused (on the phase-out of energy use of peat).
- The three draft **plans include a quite ambitious objective of the TJTTPs – a complete phase out of energy use of peat, which seems more ambitious than the National Energy and Climate Plan** for Finland, which speaks of halving the energy use of peat by 2030. This needs to be verified or corrected if it is a mistake.
- However, in the context of the JTF, the transition process for regions that rely heavily on peat extraction should be based not only on a phase-out of peat for energy use, but also on a significant reduction of GHG emissions from the extraction of peat. The three TJTTPs include proposals for investing in alternative products for non-energy peat and in innovative solutions, and they indicate between the lines that extraction of peat for non-energy use will no longer be viable, but they should still include in chapter 1 (as part of the transition process) a clearer statement about this significant reduction in GHG in non-energy segment of peat.
- The section should not only reflect on the national FI NECP, but also the Commission's assessment of the NECP ([https://ec.europa.eu/energy/sites/default/files/documents/staff\\_working\\_document\\_assessment\\_necp\\_finland\\_en.pdf](https://ec.europa.eu/energy/sites/default/files/documents/staff_working_document_assessment_necp_finland_en.pdf)). Furthermore, the three plans lack the regional commitment to comply with the national plan to reach climate neutrality by 2035 and potential additional measures (compared to the 2019/2020 NECP) to reach the EU's accelerated 2030 climate ambition and the 2035 carbon neutrality target for FI.
- The drafts are reflecting on the EU Country Report for Finland (2020) when shaping the position of the peat sector. We would recommend to update the section with the latest JRC-findings: The JRC study is available since March 2021: <https://publications.jrc.ec.europa.eu/repository/handle/JRC123508>. As there is a national working group on peat and FI has benefited from DG REFORM's support to draft the TJTTPs we would also expect a more mature/more recent overview of the

sector from FI own information sources. This should be further explored/outlined. [Given the decrease of peat for energy in recent years, the numbers from 2018 are likely to be outdated. Thus, they might not be the right basis to develop an intervention logic from.]

- The proportion/amount of non-energy use of peat should be added.
- The section rightly outlines diversification, re-/upskilling and general attractiveness needs. Furthermore, it should reflect on key actions of the Just Transition Fund particularly mentioned in the Annex D of the 2020 Country Report (p. 71): i.e. “investments in research and innovation activities and fostering transfer of advanced technologies; and investments in the deployment of technology and infrastructures for affordable clean energy, greenhouse gas emission reduction, energy efficiency and renewable energy.”
- If peat for energy is replaced by wood-based combustion solutions the DNSH principle needs to be respected. Furthermore and given the explanations given on the natural gas grid, the FI authorities and regions should explore energy efficiency measures in buildings combined with non-combustion solutions for heating purposes.
- The section should also outline the potential job impact on the district heating networks (and related employment) as it is not very specific on the demand-side of the peat sector, but centered on the production side only.
- Commission welcomes the inclusion of the governmental pledge to “accelerating emission reduction efforts and strengthening carbon sinks”. Strengthening the carbon sinks is essential especially when planning the after-use of peat extraction areas.

#### Section 1.2. (all three plans)

- We remind that justifications for territorial extension of coverage to regions not proposed by the Commission in Annex D needs to be presented. Currently the text merely mentions the additional areas proposed for JTF support on the basis that they also include peat extraction and use value chains. Additional justification of the territorial extension is necessary, notably comparable data regarding employment and economic effects which could provide a ranking of the proposed additional areas. The JTF Regulation clearly specifies that support from the JTF cannot be exclusive but focus *on the most affected regions*: “The aims of the JTF are to mitigate the adverse effects of the climate transition by supporting the most affected territories and workers concerned and to promote a balanced socio-economic transition.” (recital 5 of the JTF Regulation).
- As stated in the SWD: Proposals to extend the geographical scope to territories where there is no clear transition process with an associated negative socio-economic impact by 2030 or before, should not be accepted.
- Statements like “The transition from peat to carbon-neutral energy production will therefore have a very negative impact on peat-producing regions in all 14 provinces.” and “The investment needs identified by the Commission in the country report are common to all 14 provinces.” thus need to be specific and targeted to the JTF intervention.
- To be able to quantify the impact of the phase out of the energy use of peat as well as of the peatland restoration projects it would be useful that each Plan includes estimations of GHG emission reductions to be achieved. For the time being only the Plan of Northern Ostrobothnia includes such an indication (page 5).
- The overall impact on regional economy needs to be clearly presented.

- Studies referred needs to be identified (referring to “studies” in general is not sufficient)
- The section should reflect (also to avoid lock-in effects) on non-combustion solutions for heating purposes, the DNSH principle (use of wood) and energy efficiency measures. Furthermore, it is doubtful that there are no other market ready solutions other than peat, coal, wood and natural gas. The heating needs should be thus clarified and potentially decreased with energy efficiency measures.
- Some of the after-uses envisaged seem not to comply with the DNSH principles and/or fall under rural fund (EAFRD) responsibilities. For any “after-use use of areas leaving peat production”, the polluter pays principle needs to be respected. Furthermore, the measures need to have a clear and long-term impact to mitigate the socio-economic consequences of the transition. Sentence “support sustainable practices of other forms of land use in peatlands” should be further outlined.
- The role and impact of seasonal work within the peat industry in Finland needs to be presented more clearly.

### Section 2.3. (all three plans)

- The compatibility with the smart specialisation strategies need to be clearly presented.

### Section 3.1. (all three plans)

- The description of the partnership in chapter 3 is weak and should be reinforced.
  - For example:
    - From the paragraph on stakeholder involvement it is not clear if the “Regional Cooperation Group” only consulted stakeholders on the draft via “stakeholder events, workshops and discussions” or if regional stakeholders (also beyond the public sphere) were integral part of the drafting process. This should be clarified.
    - In general the nature and role of stakeholders needs to more clearly explained in order to create a self standing document (clarifications for acronyms used).
    - Role of municipalities is featured in North Karelia plan, but not in others. Were municipalities involved in other regions?
    - The regional cooperation group and its composition needs to be presented.

### Section 3.2 and 3.3 (all three plans)

- The implementation, monitoring and evaluation of the TJTP should also be an inclusive process, also addressing municipalities, communities and non-public stakeholders in the regions most affected.

### Horizontal comments (for all plans)

- The overall focus of the TJTPs on economic diversification, skills and peatland restoration is good. However, we would suggest that the focus on reskilling (of peat workers) is reinforced, and that it receives a separate priority in all TJTPs.
- We note that the TJTPs leave a possibility to add in next draft proposals for investments in ETS activities and/or large enterprises. In our view, these would not be justified for Finland or contribute to the transition challenges linked to the peat phase-out, so we would suggest to be very clear about this from the start.

- Within the energy transition, biomass seems to take an important place. There should be due attention to sustainability criteria.
- It is unclear which type of ‘biogas’ is meant.
- Within the context of renewable energy, ‘waste heat’ is sometimes mentioned. It should be noted that waste heat is **not** a renewable energy source (and therefore not eligible for JTF support), which has an impact on the eligibility for JTF, for instance in the context of district heating. However, energy efficiency investments could have their place. Also here, the justification of such investments from the JTF depends on how they can alleviate the social and economic impacts of the transition.
- The DNSH principle is very important for the JTF and TJTPs. Due to the nature of the JTF fund, DNSH needs to be assessed.
- The sources for number of jobs must be the same for all plans so that comparison is possible. If this is the case already, then this comment is redundant.
- For peatland after-use or revitalisation/rehabilitation the Polluter Pays Principle is not reflected in the plans yet. This needs to be included.
- Cooperation actions are still missing. Needs to be included as they are a requirement for all Specific Objectives within CPR funds.

### Pillars II and III

- The complementarity with JTM pillars 2 and 3 is well developed.
- When describing synergies with Pillar II, the InvestEU Just Transition Scheme, it is important to keep in mind that InvestEU is a demand-driven instrument.
- All InvestEU investments located in or benefiting in a key manner the just transition territory, aligned with just transition objectives outlined in the Territorial Just Transition Plans will be counted as investments under the InvestEU Just Transition Scheme.
- Because of this demand-driven nature, it is not possible to foresee at the level of the TJTPs which policy window of the InvestEU will contribute to Pillar II – definitive statements should therefore be avoided.
- An example of such an overly restrictive statement from South Ostrobothnia below – such formulations should be avoided:
  - *‘Actions under the JTM II pillar will be identified under the “sustainable infrastructure” policy window, such as investments in...’*

A better formulation would be:

- *‘There is a potential for synergies with the JTM Pillar II, particularly under the Sustainable Infrastructure Window, amongst others in the form of investments in...’*
- The North Karelia TJTP can be treated as a good practice on how to establish synergies with Pillar II and Pillar III all the way through the document, without being too restrictive.

### Comments on the EMPL-related aspects of the pilot Territorial Just Transition Plan

There is a clear general presentation in the draft plan of the social impacts of the transition, especially of

- what sectors are primarily hit by the transition and will experience job losses;
- what effect the transition has on young people living in the area;

- who the priority target groups for actions are, and
- what actions are planned.

Further details would be welcome in the draft plan about the following:

Impact on local sectors and communities:

- how other sectors in the region will be impacted by the transition, those which are not directly participating in peat production or peat usage for their operations;
- what challenges and difficulties will arise for the communities living in the region;

Characteristics of the workers and the local community:

- what the socio-economic characteristics of the workers directly impacted by unemployment are (gender, age, educational background, minority background, occupational diseases/health issues, disabilities, etc.);
- who those workers are who suffer disproportionately;
- what the socio-economic characteristics of those indirectly hit by the transition are (women and family members of the workers, other members of the communities);
- who those people indirectly hit by the transition are who suffer disproportionately;

Ways and potential challenges of addressing the transition:

- what social benefit system is in place to compensate the workers;
- what are the development needs of the local communities stemming from the transition process, and how ready are the systems in place to answer the new needs, e.g.
  - is there an education and training system available locally,
  - can it be adapted to the transition challenge,
  - are there cooperation systems already in place between the different actors that will participate in the up/reskilling,
  - what changes need to be made to all these systems to meet the new requirements,
  - are social and public employment services prepared for the new tasks, and
  - if not, how they can be prepared, etc.;
- how the transition will impact the availability and access to basic services; if there is a need to invest into further social infrastructure, such as care facilities or education and training centres;
- what the rough timeline is of the different key interventions;

The justness of the transition

- how gender equality is foreseen to be promoted during the transition-related measures;
- how the rights and interests of those disproportionately hit by the effects of the transition are planned to be promoted during the transition-related measures;

- how the young will be involved in the different stages of the application of the JTF;

Technical assistance:

- whether the region plans to use technical assistance and if yes, for what purposes (e.g. capacity building of partners, communication, etc.);

Partnership:

- which are the NGOs that are involved in the different stages of the application of the JTF; do they represent the social groups in the most vulnerable situations (persons with disabilities, migrants, women, minorities)?; are NGOs working in the field of poverty and human rights represented?;
- there would be a need to do active outreach to these NGOs and youth organisations;

Indicators:

- additional common output indicators would be beneficial on
  - number of participants of 55 years of age and above
  - participants with disabilities
  - minorities

Some comments for individual plans

**South Ostrobothnia:**

- The investments in broadband (for business support) and transport infrastructure (roads and bridges for the transport of biomass) are not justified for JTF support. However, JTM pillars 2 and 3 can be considered.
- The JTF Regulation covers GHG emissions from the extraction and production of solid fossil fuels and from carbon-intensive industries, but not from transport emissions. Therefore, “the development of smart solutions for transport and mobility needs, including studies and piloting on the transport use of biogas and the promotion of electro-mobility” cannot be supported by the JTF, but should be considered for other funds.
- The description of the partnership in chapter 3 is weak and should be reinforced.

**Northern Ostrobothnia:**

- The investments in transport infrastructure (roads and logistics) are not justified for JTF support. However, JTM pillars 2 and 3 can be considered.
- In chapter 2, this TJTP is not so clear about the reduction of peat use compared to the other two TJTPs.

**North Karelia:**

- Statements that peat is “a good fuel” and “clean” are inappropriate and should be removed.
- It is not clear what is meant by “technological changes (conversions) and the purchase of fuel” for the power stations, this should be checked for consistency with the JTF scope of support.

- The plan mentions a number of after-use of peat areas which could potentially not be climate neutral such as production of energy crops as raw materials, cultivation, growing of raw material to replace peat and afforestation. The impact on net emissions from land will depend on the current use (for instance is it a forest or grassland), how the future use will impact the stored carbon in the peatland, and how the greenhouse gas emission from the peatland soil will be reduced or stopped (for instance will the land be rewetted). Depending on the exact state and after use and the measures to mitigate emissions from soils, such peatlands could continue to emit CO<sub>2</sub> and would thus not contribute to the country's objective of reinforcing its carbon sink. Please explain explicitly how the region sees the after use and what is the exact expected impact on net emissions before being able to qualify this as an appropriate after use.

## Conclusions

- Overall the most important thing is the clarity of the description of the impacts of the transition, challenges derived from the transition and design of the intervention that address the impacts of the transition. Intervention logic is the key.
- The solid progress on the programming is also very important. We hope to get good quality plans adopted as soon as possible and move to implementation.
- More detailed technical comments on individual plans will be provided separately.

I hope you find these useful and we are available for any clarifications if necessary.

Best regards,

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