

INFORMAL OBSERVATIONS ON THE DRAFT TERRITORIAL JUST TRANSITION PLANS FOR FINLAND

(Reference: Articles 22(8) of the CPR and articles 10 and 11 of the Just Transition Fund (JTF) regulation)

1.1. Outline of the expected transition process towards the Union's 2030 targets for energy and climate and a climate-neutral economy of the Union by 2050, in line with the objectives of the integrated national energy and climate plans and other existing transition plans with a timeline for ceasing or scaling down activities such as coal and lignite mining or coal-fired electricity production

1. These comments, when not specified per individual Territorial Just Transition Plan (hereinafter – TJTP), are relevant for all 14 TJTPs.
2. In the context of the JTF, the transition process for regions that rely heavily on peat extraction should be based (1) on a phase-out of peat for energy use **and** (2) on a significant reduction of peat related GHG emissions.
 - With regard to (1), the goal of halving peat for energy use by 2030 is clear (include halving compared to which year). However, it is not explained what will happen with the other half, and how the energy use of peat will be in line with Finland's 2035 climate-neutrality goal. What are the goals for energy peat by 2030, 2035 and 2050? These should be added, as the JTF Regulation requests milestones for achieving the 2030 and 2050 targets. In this context, some statements in the TJTPs are problematic, such as the one for Kainuu which seems to stress a remaining capacity for peat to run beyond 2030, without specifying the final phase-out. Numbers on peat extraction and/or non-energy use of peat would be useful (or a reference to an official document where such numbers can be found).
 - With regard to (2), no info is provided in section 1.1 at all, and this should be added including the goals for 2030 and 2050. This should for instance refer to the ambitions with regard to phasing-out of peat extraction and restoring peatlands. They are present in chapter 2 of most plans, but at this stage do not refer to Finland's ambitions to be climate neutral in 2035 (in our view the strengthening of carbon sinks is essential when planning the after-use of peat production areas and the role of restored peatlands will be essential to meet climate neutrality ambition in 2035). We would also welcome stronger wording on the 'alternative/innovative uses of peat', making sure that these are not harmful to the climate or the environment.
 - Concerning the additional geographical extension regions proposed by Finland, those that are not covered by the Annex D bis (European Semester, Country Report Finland 2020, SWD(2020) 525 final). Finland is requested to present new or accelerated commitments regarding the transition process towards a climate-neutral economy. This information is missing and needs to be included. These new/accelerated commitments need to be reflected in the transition description, milestones and in other relevant parts of the TJTP.

Please note that these above additions to section 1.1 are essential for the TJTP to be approved.

3. An important aspect of the energy transition in Finland will be biomass. We would strongly encourage a clearer elaboration of this in the TJTPs, including with regard to sustainability criteria. It would be useful that the text of chapter 1 better explains how the switch will take place and by what source the peat in energy will be replaced. The text only mentions that there would not be an issue with gas replacement, as most gas infrastructure does not cover these areas. Is the replacement made by RES, given Finland's target is to increase the share of renewable energy to at least 51 % of total energy consumption? In addition, if so, which type of renewable? If it is biomass then the TJTP should explain the sustainability and provenance of such a source in line with REDII Directive criteria, the need to preserve the LULUCF sink and DNSH principle.

1.2. Identifying the territories expected to be the most negatively affected and justifying this choice with the corresponding estimation of the economic and employment impacts based on the outline of Section 1.1

4. In chapter 2, the different plans do not always use a common set of data comparable from one region to the other making it very difficult to understand which the regions are "the most affected regions as stated in recital 5 of the JTF Regulation: *"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."* In addition, a clear rationale and justification should be added for the regions not covered by Annex D bis.
5. 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.
6. The Kymenlaakso TJTP included in chapter 2 some useful graphs in relation to peat use, production value and jobs, similar graphs should be added in the other 13 TJTPs.

2.3. Consistency with other relevant national, regional or territorial strategies and plans

7. As regards cooperation, the text in all the draft plans are largely identical ("Kumppanus"), without having reference to the relevant EU Macro-Regional Strategy, EUSBSR. There is however reference to the EUSBSR in the draft plan of Central Finland in the context of international, national and regional cooperation (Section 2.3). Consequently, international cooperation and EUSBSR should be also reflected in the other plans, for which the JTF coordination group might be a relevant forum.

2.4. Types of operations envisaged

8. The importance, volume, ranking and presentation of key actions should reflect and follow the ranking presented in the Annex D bis: high priority investments, priority investments and related investments.
 - High priority investments:
 - i. investments in research and innovation activities and fostering transfer of advanced technologies;

- ii. investments in the deployment of technology and infrastructures for affordable clean energy, greenhouse gas emission reduction, energy efficiency and renewable energy.
 - Priority investments:
 - i. productive investments in SMEs, including start-ups, leading to economic diversification and reconversion;
 - ii. investments in the creation of new firms, including through business incubators and consulting services;
 - iii. upskilling and reskilling of workers.
 - Related investments:
 - i. investments in regeneration of sites, land restoration and repurposing projects.
9. The description of the activities to be funded in most cases is quite vague (again, this seems to be better in the TJTP for Kymenlaakso).
 10. Focus on reskilling (of peat workers) is uneven across the TJTPs and we recommend that it becomes a separate priority in all TJTPs.
 11. There are several comments on the reskilling and upskilling related issues per TJTP. These will be presented in the attached annex.
 12. We would also welcome more information on the workers affected: gender, age group, skills profile, etc. (this info is partly provided, but is more anecdotic).
 13. Commission notes that all Plans intend to invest in restoration/remediation/after-use of peatlands to different degrees. However, the sustainability of the after-uses should be in line with climate mitigation and adaptation. The after uses described do not seem to clearly contribute to a climate neutral economy and reinforce the carbon sink under the LULUCF Regulation.

In terms of repurposing, the authorities should systematically provide information as to whether the remediation is not already an obligation including when issuing the permitting for extraction. In any case, remediation projects should make sure the polluter pays principle is respected meaning that the State should not remediate fields for which the extracting companies still exist and have legal obligation to restore the land. This is the case in some Plans but not all.

There should be an emphasis on environmental showcase projects such as rewetting and peatland restoration that could have major benefits in terms of GHG emission reduction but also other eco-system services and re-nitrification of waters benefits. Most of the plans mention repurposing peatlands for other economic purposes such as logging which at first sight are not climate friendly nor fostering biodiversity.

Moving away from afforestation, other options for such sites could be paludiculture (farming under wet conditions, blueberries and cranberries cultivation but under wet condition, therefore this should be clarified), ecotourism, horse breeding (there are also species of cattle which have small sizes that could be bred under wet conditions).

Afforestation should be considered as a last resort and only if some key requirements are fulfilled from a GHG perspective:

- The remaining amount of peat: If there is hardly any peat left, afforestation will be the restoration action that delivers most mitigation over time. If there is a lot of peat left, afforestation should not be the first choice because the land needs to be drained also in the future. Whether afforestation can still be done depends on the next point.
 - The attempted kind of afforestation, in particular species and the foreseen rotation length: If the species could deal with relatively wet conditions (black alder, etc), afforestation may be considered. Whether the GHG budget is positive or negative will also depend on the attempted rotation length. As trees will sequester less over time, the concerned areas could become a net emission source over time. If the trees stay for a shorter period with high sequestration rates in living biomass, the balance could be a net removal.
 - Finland should do a site-specific analysis and formulate conditions under which afforestation on former peat extraction sites/degraded peatlands holds significant greenhouse gas mitigation potentials.
14. Investments to increase the ‘attractiveness of the region’ should not be supported by the JTF if they are not clearly aimed at addressing the negative impacts of the climate transition.
 15. Investments labelled as RDI should clearly be about research and innovation. Some TJTPs seem to include much broader investments under that category, including in tourism.
 16. Finland is invited to explain how the “do no significant harm principle” will be respected.
 17. We note that most of the plans make references to Pillar 3 outside of the section on complementarities between pillars. This approach enables the pillars to be present throughout the TJTP and make them more visible. We would recommend that the sectors listed in the sections on complementarities between pillars include the sectors listed in the rest of the plans in order to have a comprehensive list. This will also facilitate the preparation of the application forms for potential beneficiaries. Furthermore, the language of the presentation is recommended to be softened as these are subject to open calls for proposals.
 18. Please take note also on some drafting suggestions (some might be due to machine translation though):
 - referring to the "public sector loan facility" and not "public sector loan instruments".
 - clarifying the description of the facility. The public sector loan facility does not only consist of EIB financing but includes, for each successful project, a grant awarded by the Commission and a loan provided by the EIB.
 - mentioning sectors that "can be" supported. As the facility will be launched through an open call for proposals, only successful projects will be financed.
 - clarifying that the potential beneficiaries are public sector entities, which include municipalities, associations of municipalities and public companies.

19. Technical comments:

- Waste heat is not a renewable energy source.
- In general, the TJTPs lacks information on the gender equality dimension that needs to be addressed when tackling climate neutrality.

Investments reducing GHG emissions from ETS activities

20. We note that some TJTPs still seem to leave a possibility to add in a next version proposals for investments in ETS activities. 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.

Support to productive investments in enterprises other than SMEs

21. We note that some TJTPs still seem to leave a possibility to add in a next version proposals for investments in 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.

3.1. Partnership

22. It should be clearly explained in which partners have been involved in the preparation of the TJTP (trade unions, youth, local citizens, NGOs, etc). Our suggestion is to clarify early in the chapter the involvement of different partners (and identify them).

3.3. Coordination and monitoring body/bodies

23. We remind the Finnish authorities to engage the youth in implementation and monitoring of the TJTPs, for instance, by adding the youth representative to the Monitoring Committee and/or regional monitoring body.

4. Programme-specific output or result indicators

24. All TJTPs include output and results indicators. However, TJTPs for Etelä-Savo and Pohjois-Karjala do not provide for output indicators milestone and target values and for result indicators target values.

25. We notice that the planned activities with JTF funding are slightly different for each draft TJTP but the output and result indicators chosen are not adapted and all 14 TJTPs use the same output and result indicators (with some exemption to Keski-Pohjanmaa, Keski-Suomi, Pohjois-Pohjanmaa, Pohjois-Savo, Satakunta where additionally 3 programme specific indicators are used).

26. In order to make a proper assessment on the intervention logic of the measures planned in the programme we need to receive financial information and a methodological document, which is required under article 17 of the CPR. The methodological document is essential to understand the intervention logic, the use of resources and the choice of indicators by type of intervention. The document should present also the evidence which supports the assumptions used for the

calculation of the 2024 milestones (for output indicators) and the 2029 targets (for output and result indicators). The methodological document is crucial to understand the indicators related elements included in the TJTPs. This has been discussed with Member States in the Evaluation network video meeting on 13.05.2020. These elements are also reiterated in the Commission Staff Working Document on “Performance, monitoring and evaluation of the ERDF, CF and the JTF in 2021-27” of 8.7.2021 (SWD(2021)198 final), which provides essential information for the drafting of the methodology document (see Annex 2, pages 191-193). It is only on the basis of the methodological document that we will be able to make a proper assessment of the Programme intervention logic, indicators and performance framework thus being able to provide our contribution to the negotiation and avoid unnecessary blockages during the ISC.

27. Recommendation: include an indicator linked to the restoration of peatlands.